

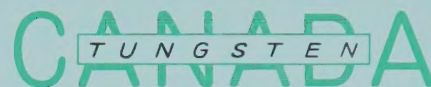
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CANADA TUNGSTEN MINING CORPORATION LIMITED

annual report 1968



THE ANNUAL MEETING of the Shareholders of Canada Tungsten Mining Corporation Limited will be held on Friday, April 18, at 2:30 o'clock in the afternoon in the British Columbia Room of the Royal York Hotel, Toronto, Ontario.



MINING CORPORATION LIMITED

Executive Office

101 Richmond Street West, Toronto, Ont.

Branch Office

80 Niobe Street, North Vancouver, B.C.

Officers

FRED E. HALL, *President*

J. B. REDPATH, *Vice-President*

R. ELLERMAN, *General Manager*

D. R. McEWEN, *Secretary-Treasurer*

Directors

SENATOR JOHN B. AIRD, Toronto

J. M. RICHARD CORBET, Toronto

F. E. HALL, Toronto

E. B. GILLANDERS, Vancouver

D. MAYERS, New York

JAMES B. REDPATH, Toronto

H. A. SAWYER, JR. New York

Transfer Agents and Registrars

CANADA PERMANENT TRUST COMPANY
1901 Yonge Street, Toronto, Ont.

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto and Vancouver

Auditors

DELOITTE, PLENDER, HASKINS & SELLS
55 Yonge Street, Toronto, Ont.

Directors Report to the Shareholders

Your directors are pleased to report on your Company's first full year of operations since the fire in late 1966, which destroyed the milling facilities.

The new concentrator operated in a manner which was encouraging to management. The overall sheelite recovery was 77.74% and copper recovery was 75.97%. As shown in the General Manager's report attached, 180,000 short ton units of WO₃ and 596,000 pounds of copper were produced. During the last quarter a problem encountered in the grinding circuit, due to a change in the nature of the ore, reduced the budgeted production; however, shareholders will be pleased to learn that contractual commitments were all met. Your Company has re-established its position in the market, and at the same time the sales outlook is encouraging.

In the United States consumption continues to run above the level of U.S. production; however, many users

in the United States are meeting their requirements by purchases from the U.S. Government stockpile. This source is still substantial and curtails sales to that market. In Europe however, there is a definite shortage of quality material and your Company is looking towards a broadening of its market in this area.

A disagreement with one of our customers over the interpretation of the force majeure clause in the sales contract which was invoked by reason of the fire in 1966, is now in the process of interpretation and arbitration under the rules of the International Chamber of Commerce as is normal under the circumstances.

Tungsten uses are broadening and there is a great deal of research and development in progress by industry, which in coming years should result in even wider industrial applications for tungsten carbides and steels, alloys, pure metals and in chemicals.

Your Company, mindful of the current market situation and long-term

CANADA
TUNGSTEN
MINING CORPORATION LIMITED

outlook is placing greater emphasis on exploration and plans have been formulated for an accelerated program of exploration to look for new ore reserves.

During the year your Company repaid outstanding notes held by its original financial backers totalling \$1,000,000. plus accrued interest and plans to repay further amounts of the Company's long-term debt during 1969.

The three year tax exempt period for income tax purposes expired on May 31, 1968. No taxes were payable for this year by reason of accumulated write-offs. As reported in the last Annual Report, the Minister of National Revenue advised the Company that it was his intention to recommend a remission of taxes which would have the effect of enabling the Company to obtain tax relief equivalent to that it would have obtained if there had not been a fire. During the year this amount was agreed to between the Company and the Department of Na-

tional Revenue and an Order-in-Council was passed granting to your Company a remission of taxes in the amount of \$822,778.

As the result of a ruling made by the Supreme Court of Ontario your Company was permitted to omit sales and gross operating revenue from published financial statements for 1968 and its interim statement for the six months ended June 30, 1969.

Your directors acknowledge the loyal and dedicated service of your General Manager, Roy Ellerman and his staff for the successful operation of the Company during the past year.

On behalf of the Board,

FRED E. HALL

President

Toronto, Ontario
March 28, 1969

ASSETS

CURRENT:	1968	1967
Cash	\$ 92,202	\$ 105,050
Accounts receivable	1,206,347	35,435
Inventory of concentrates — valued at the lower of cost or net realizable value	278,821	193,123
Inventory of ore in stockpile — at cost	462,324	589,397
Prepaid expenses	12,812	70,608
Total current assets	<u>2,052,506</u>	<u>993,613</u>
 FIXED:		
Buildings, plant and equipment — at cost	5,960,886	5,758,994
Less accumulated depreciation (Note 1)	<u>1,600,647</u>	<u>852,944</u>
	4,360,239	4,906,050
Mining property — at cost	125,000	125,000
Net fixed assets	<u>4,485,239</u>	<u>5,031,050</u>
 OTHER:		
Inventory of supplies — at cost	268,210	276,956
Development and preproduction expenses — at cost less amounts written off (Note 1)	2,663,379	3,113,042
Unamortized debenture discount	309,000	412,000
Deferred charges	16,672	6,482
Incorporation expense	2,835	2,835
Total other assets	<u>3,260,096</u>	<u>3,811,315</u>
TOTAL	<u>\$9,797,841</u>	<u>\$9,835,978</u>

The accompanying notes are an integral part of the financial statements.

December 31, 1968

for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT:	1968	1967
Accounts payable and accrued charges	\$ 304,073	\$ 263,251
6% demand notes payable and accrued interest	—	1,065,096
Debenture interest accrued	1,125,600	—
Total current liabilities	<u>1,429,673</u>	<u>1,328,347</u>
LONG-TERM DEBT (Note 2):		
6% income debentures maturing December 31, 1971 ...	2,680,000	2,680,000
Debenture interest accrued	—	964,800
Total long-term debt	<u>2,680,000</u>	<u>3,644,800</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
5,000,000 shares of a par value of \$1 each		
Issued and fully paid:		
4,990,000 shares	4,990,000	4,990,000
Less discount	1,372,851	1,372,851
	<u>3,617,149</u>	<u>3,617,149</u>
Retained earnings	2,071,019	1,245,682
Total shareholders' equity	<u>5,688,168</u>	<u>4,862,831</u>
Approved by the Board:		
FRED E. HALL, Director.		
J. B. REDPATH, Director.		
TOTAL	<u>\$9,797,841</u>	<u>\$9,835,978</u>

AUDITORS' REPORT

To the Shareholders of
Canada Tungsten Mining Corporation Limited:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1968 and the statements of income and retained earnings and of source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 21, 1969.

DELOITTE, PLENDER, HASKINS & SELLS,
Chartered Accountants.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1968

(with 1967 figures for comparison)

	1968	1967
INCOME FROM OPERATIONS BEFORE THE UNDERNOTED (Note 3)	\$2,366,572	\$ 427,077
ADD:		
Proceeds of business interruption insurance	—	1,030,000
Interest on short-term investments	—	54,284
	<u>2,366,572</u>	<u>1,511,361</u>
DEDUCT:		
Interest on bank loan and notes payable	83,164	62,926
Debenture interest	160,800	160,800
	<u>243,964</u>	<u>223,726</u>
NET INCOME BEFORE WRITE-OFFS	<u>2,122,608</u>	<u>1,287,635</u>
LESS:		
Depreciation (Note 1)	750,282	362,899
Loss on sale of fixed assets	2,326	4,437
Amortization of debenture discount	103,000	103,000
Amortization of development and preproduction expenses (Note 1)	379,890	98,488
Exploration expenses	61,773	78,948
	<u>1,297,271</u>	<u>647,772</u>
NET INCOME FOR THE YEAR (Note 4)	<u>825,337</u>	<u>639,863</u>
RETAINED EARNINGS AT BEGINNING OF THE YEAR	1,245,682	605,819
RETAINED EARNINGS AT END OF THE YEAR	<u>\$2,071,019</u>	<u>\$ 1,245,682</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

(with 1967 figures for comparison)

	1968	1967
SOURCE OF FUNDS:		
Funds provided from operations	\$2,059,391	\$ 1,365,435
Sale of capital stock	—	16,300
Recovery of road construction costs	69,773	—
Total source of funds	<u>2,129,164</u>	<u>1,381,735</u>
APPLICATION OF FUNDS:		
Additions to fixed assets, net	206,797	3,393,546
Prior years' debenture interest payable in 1969	964,800	—
Total application of funds	<u>1,171,597</u>	<u>3,393,546</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 957,567</u>	<u>\$(2,011,811)</u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL
STATEMENTS**

December 31, 1968

1. It is the company's practice to provide for depreciation of buildings, plant and equipment at 15% per annum on a straight-line basis.

Development and preproduction expenses are being amortized over the estimated life of the mine on the basis of units sold.

2. The 6% income debentures, maturing December 31, 1971, are payable before maturity out of profits as provided in the debentures. Interest thereon is payable only out of profits as defined in the debentures. The holders of the debentures agreed to defer the amount of principal otherwise payable in 1969.

As long as any of the 6% income debentures are outstanding, there are certain restrictions against the payment of dividends.

3. Pursuant to Section 84 of The Corporations Act, Ontario, an order was obtained from the Supreme Court of Ontario permitting the company to omit disclosure of sales in the statement of in-

come for the year ended December 31, 1968.

4. The three-year period during which the company was exempt from income taxes expired on May 31, 1968. As the operations of the company were interrupted during the tax-exempt period by a fire, the company has been advised that it will receive a remission of future income taxes payable in the amount of \$822,778.

In addition, recorded depreciation and amortization of development and preproduction expenses has exceeded amounts claimed for income tax purposes. As a result, the total of allowable deductions for income tax purposes with respect to fixed assets and development and preproduction expenses exceeds the book value of these assets as at December 31, 1968 by \$1,200,000.

Income taxes in the amount of \$226,000 otherwise payable for the year ended December 31, 1968 have been eliminated by the application of deductions referred to above.

5. Remuneration of directors and senior officers, as defined by The Corporations Act, Ontario, amounted to \$93,000 for the year ended December 31, 1968.

CANADA TUNGSTEN **MINING CORPORATION LIMITED**

Report of the General Manager

The President and Board of Directors
Canada Tungsten Mining Corporation
Limited
Suite #1620, 101 Richmond Street West
Toronto 1, Ontario

Dear Sirs,

Operations at the Company's property in the Northwest Territories were continuous during 1968, producing high quality tungsten concentrates and copper concentrate. Mining of the orebody was confined to the summer months. The leaching plant in North Vancouver, used for upgrading scheelite flotation concentrate, operated normally.

CONCENTRATOR

A total of 116,558 tons of ore containing 1.98 percent tungsten trioxide and 0.32 percent copper were processed during the year. Subject to final weights and assays, production of tungsten as WO_3 amounted to 180,000 short ton units and of copper, 596,000 pounds.

The new concentrator which was placed in service in November 1967, performed well during the year; however, beginning in September and throughout the balance of the year, ore feed consisted of a mixture of chert and skarn ore, the hardness of which was greater than anticipated. This affected the grinding circuit so that scheduled throughput was substantially reduced. In order to rectify this problem a secondary ball mill was installed in the circuit in December.

MINING

During the mining season a total of 131,000 tons of ore were mined, crushed and stockpiled, containing an average of 1.71 percent WO_3 and 0.25 percent copper. In addition, 250,000 tons of waste were removed from the pit area.

ORE RESERVES

At December 31, 1968 reserves of ore in place amounted to 813,893 tons, grading 1.61% WO_3 and there were 105,199 tons of ore in the stockpile grading 1.81% WO_3 .

PERSONNEL AND CAMP OPERATIONS

Availability of skilled personnel was good during the year. Employee turnover was the lowest in our history.

Improvements to living conditions at the minesite were made during the year and the camp at Tungsten, N.W.T., is comparable to any in the north. The access road to Watson Lake, Yukon, was maintained in good condition.

LEACH PLANT

Operation of the Company's leach plant in North Vancouver began in January when flotation concentrate was available from the minesite. Apart from minor circuit revisions, operations were normal wherein the raw concentrate was upgraded from an average of 31 percent WO_3 to 68 percent WO_3 by acid dissolution of contained calcite.

EXPLORATION

An exploration program using geophysical methods was carried out on the property during the year and will be continued in 1969.

I would like to express my thanks to Mr. E. Hoddinott, Resident Manager, and his able staff and employees for their services during the year.

Yours very truly,

R. ELLERMAN,
General Manager.

North Vancouver, B.C.
February 19, 1969



